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SUBJECT: SWEDISH-IRAQI TRADE INCHING FORWARD

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¶1. Summary: With the opening of the new Swedish embassy in Baghdad this summer, all signs point to further strengthening and deepening of the cooperative ties between Sweden and Iraq. Trade deals between Swedish companies and Iraq partners are inching forward despite financing troubles and security concerns, and development cooperation is projected to increase. End Summary.

Swedish Embassy in Baghdad to house trade council

¶2. At a recent meeting at the Swedish Foreign Ministry, Bengt Carlsson, Senior Advisor for Trade and Trade Promotion, told Emboffs that he was enthusiastic about trade with Iraq, citing a 33 percent increase in Swedish exports to Iraq from 2007 to 2008. This represented between \$10 to 15 million, although Carlsson expressed some puzzlement over what he considered to be a lower-than-expected increase in these numbers. However, he noted that the first wave of "big businesses" in Sweden, such as Volvo, Scania, Ericsson, and Alfa Laval, had all been working on trade with Iraq, which he expected to continue in the future.

¶3. With regard to Swedish-Iraqi trade cooperation, Charlotta Rodhe, MFA Iraq Desk officer, described a reference group of businesspeople in Sweden who meet with the MFA on a regular basis. She said that the MFA, along with these groups, "talk about Iraq all the time." Her focus has been on "building bridges" to increase trade between Sweden and Iraq. She also noted the "symbolic value" of signing memorandums of understanding to support building these ties.

¶4. Rodhe stated that the Swedish Embassy in Baghdad was set to open early this summer. She told us that there would be seven diplomats posted at the compound, and they would eventually be joined by others from the Swedish Trade Council and from the Swedish International Development Cooperation Agency (SIDA).

Getting things moving a challenge

¶5. Emboffs also met with representatives at Scania, the Swedish manufacturer of trucks and busses. Lars Andersson, Senior Advisor, and Gustaf Sundell, Sales Representative, discussed the continuing momentum from at November 2008 meeting between Iraqi officials and Minister for Trade Ewa Bjorling. Andersson and Sundell said that a memorandum of understanding had been signed for Scania to provide Iraq with 500 units of trucks to be assembled at Scania's SCAI factory in Iskanderyia. These trucks will primarily be used for water and fuel transport.

¶6. Since November 2008, Scania representatives have traveled

to Baghdad several times to finalize negotiations. Andersson complained that Scania had not yet received a letter of credit from the Trade Bank of Iraq (TBI) for the first installment of these trucks (150), and that they had approached Iraqi officials at the highest levels to "get things moving."

¶17. The Scania representatives discussed their need for security at the Iskanderyia factory, where several hundred employees currently work. Andersson and Sundell expressed their gratitude for security provided by U.S. troops at previous meetings in Baghdad, and they requested information on how to find contacts for either foreign or Iraqi security companies in the future. Sundell also mentioned that their Iraqi partners seemed to be out-of-date in terms of equipment and training. In spite of these challenges, the Scania representatives stressed their long presence in Iraq (since the 1970s) and reiterated their commitment to fostering trade in Iraq ahead of competitors such as Mercedes.

Committed to development cooperation

¶18. Iraq Desk officer Charlotta Rodhe highlighted the Foreign Ministry's commitment to development cooperation, referencing SIDA's position that there are "strong humanitarian reasons and close ties that justify a Swedish commitment" in Iraq. There are currently about 110,000 Iraqis living in Sweden, and these Iraqis are viewed as important links in developing a trade network between the two countries. According to a new report from Swedfund, the Swedish risk capital company specializing in developing countries, Iraq's economic capacity is becoming increasingly more stable, making the country more open to foreign investment. To support economic

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growth, Swedfund calls for more aid in the area of democratic capacity building.

¶19. SIDA contributed some \$19 million in development assistance to Iraq in 2008, of which the largest portion went to humanitarian aid. Rodhe stressed the intention of continued support from the MFA, with SIDA and Swedfund, to take on small projects with "specific goals" in the areas of rule of law, human rights and economic development.

¶10. Comment: Swedish business and government excitement about economic work in Iraq is evident and should prove valuable in the coming months.
SILVERMAN